

**DEPARTMENT OF MENTAL HEALTH,  
RETARDATION AND HOSPITALS  
MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON  
AND NORTHWESTERN RHODE ISLAND, INC.  
REPORT ON CONTRACT COMPLIANCE  
FISCAL YEAR ENDED JUNE 30, 2000**

**DEPARTMENT OF ADMINISTRATION  
BUREAU OF AUDITS  
ONE CAPITOL HILL  
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration  
BUREAU OF AUDITS  
One Capitol Hill  
Providence, R.I. 02908-5889  
TEL #: (401) 222-2768  
FAX #: (401) 222-3973

Department of Mental Health, Retardation and Hospitals

Mental Health Services of Cranston, Johnston  
and Northwestern Rhode Island, Inc.

REPORT ON CONTRACT COMPLIANCE

Fiscal Year Ended June 30, 2000

EXECUTIVE SUMMARY

Management successfully implemented our recommendations included in our examination of the 1999 contracts.

We had no significant findings to report for the fiscal year ended June 30, 2000 and, as such, contain no recommendations.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON  
AND NORTHWESTERN RHODE ISLAND, INC.  
REPORT ON CONTRACT COMPLIANCE  
FISCAL YEAR ENDED JUNE 30, 2000

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY .....	i
TRANSMITTAL LETTER .....	1
SCOPE AND PURPOSE .....	2
BACKGROUND .....	3
AUDITOR'S OPINION .....	4
FINANCIAL INFORMATION:	
Statement of Revenues and Expenses	
Exhibit A: Fiscal Year Ended June 30, 2000 .....	6
Exhibit B: Statement of Operations - Title XIX Program .....	7
Exhibit C: Determination of Over (Under) Payment of State	
Matching Funds .....	8
Notes to Financial Information .....	9
SUPPLEMENTAL INFORMATION:	
Schedule of Matchable and Nonmatchable Revenues .....	10
FINDINGS AND RECOMMENDATIONS .....	11



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration  
BUREAU OF AUDITS  
One Capitol Hill  
Providence, R.I. 02908-5889  
TEL #: (401) 222-2768  
FAX #: (401) 222-3973

February 12, 2002

Ms. A. Kathryn Power, Director  
Department of Mental Health, Retardation and Hospitals  
Barry Hall - 2  
600 New London Avenue  
Cranston, RI 02920

Dear Ms. Power:

We have completed an audit of the contracts between the Department of Mental Health, Retardation and Hospitals (MHRH) and Mental Health Services of Cranston, Johnston and Northwestern Rhode Island, Inc., for the fiscal year ended June 30, 2000.

The results of our engagement included herein, have been discussed with management and we have considered their comments in the preparation of our report. Since this report discloses no significant findings and recommendations, no written response is necessary as required by Section 35-7-4 of the General laws.

We wish to express our appreciation to the officials of the Department of MHRH and to the Director and staff members of Mental Health Services of Cranston, Johnston and Northwestern Rhode Island, Inc., for the cooperation and courtesies extended to us during the course of this engagement.

Sincerely,

Stephen M. Cooper, CFE, CGFM  
Chief, Bureau of Audits

SMC:pp

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON  
AND NORTHWESTERN RHODE ISLAND, INC.  
REPORT ON CONTRACT COMPLIANCE  
FISCAL YEAR ENDED JUNE 30, 2000

SCOPE AND PURPOSE

The purpose of this examination was to determine compliance with your department's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the Matching Grant Contracts and with the terms and conditions contained within the Community Support, Residential and Acute Alternative Services Contracts as to:

- whether revenues were matchable or nonmatchable;
- total matchable income used as the basis for funding fiscal year 2002;
- whether reported expenses were allowable and properly allocated;
- whether reported revenues were accurate; and
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our examination of the financial records included verification of revenues and expenses through testing procedures to the extent we deemed necessary in the circumstances. Occupancy requirements and resident contributions were examined for adherence to contract specifications. Client fund management was reviewed for conformance with applicable policies and guidelines.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON  
AND NORTHWESTERN RHODE ISLAND, INC.  
REPORT ON CONTRACT COMPLIANCE  
FISCAL YEAR ENDED JUNE 30, 2000

BACKGROUND

Section 40.1-8.5-6 of the General Laws of the State of Rhode Island authorizes the Director of the Department of Mental Health, Retardation and Hospitals (MHRH) to make grants to community mental health centers to provide mentally disabled adult services which shall include but not be limited to psychiatric, medical, nursing, psychological, social, rehabilitative and support services provided in the prevention, diagnosis, treatment and follow-up of mental disabilities, and in addition, may include those services designed to prevent mental disabilities or be of a consultative, informational or educational nature about mental disabilities. It is under this authorization that Mental Health Services of Cranston, Johnston and Northwestern Rhode Island, Inc., operates.

It is the intent of the law that an individual's eligibility to receive any public or private assistance be exhausted prior to the expenditure of state and local monies.

The Center's administrative offices are located at 249 Roosevelt Avenue, Pawtucket, Rhode Island.

The Center owns residential property at 1974 Atwood Avenue, Johnston, housing adolescent clients of the Center. In addition, the Center owns 6 units at Woodland Estates located on Hartford Avenue, Johnston, which is used for the Center's supervised adult client apartment program

On July 1, 1995 the Center and its affiliate MHS Properties, Inc., became affiliates of Gateway Healthcare, Inc., a nonprofit regional corporation.

The Center is governed by a board of directors consisting of no less than 18 and no more than 30 individuals elected at each annual meeting. The board is presently comprised of 30 members.



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration  
BUREAU OF AUDITS  
One Capitol Hill  
Providence, R.I. 02908-5889  
TEL #: (401) 222-2768  
FAX #: (401) 222-3973

Ms. A. Kathryn Power, Director  
Department of Mental Health, Retardation and Hospitals  
Barry Hall - 2  
600 New London Avenue  
Cranston, RI 02920

Dear Ms. Power:

We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and Mental Health Services of Cranston, Johnston and Northwestern Rhode Island, Inc., (Center), solely to assist the users in evaluating management's assertion about the Center's compliance with the Division of Behavioral Health's Service's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the matching Grant contracts and with the financial terms and conditions contained within the Community Support Residential and Acute Alternatives Services contracts during the fiscal year ended June 30, 2000 included in the accompanying Report on Contract Compliance. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

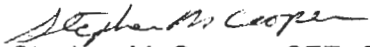
For purposes of this engagement we tested compliance with the above-mentioned specified requirements for determining allowable costs, accuracy of reported activities and any over funding on behalf of MHRH. Based on the application of the procedures referred to above, nothing came to our attention that caused us to believe that there were instances of noncompliance with the conditions contained within MHRH's Matching Grant and Community Support and Related Services Contracts for the fiscal year ended June 30, 2000.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Ms. A. Kathryn Power, Director  
Page 2

This report is intended solely for the use of MHRH and the Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Stephen M. Cooper, CFE, CGFM  
Chief, Bureau of Audits  
August 23, 2001

SMC:pp



DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
 MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON AND  
 NORTHWESTERN RHODE ISLAND, INC.  
 STATEMENT OF REVENUES AND EXPENSES  
 FISCAL YEAR ENDED JUNE 30, 2000

	Community Support, Residential, and Acute Alternatives	Adult General Outpatient Services	Other Programs	Total
<u>Revenues</u>				
MHRH	\$ 213,342	-	-	213,342
AGOP	148,803	-	-	148,803
DCYF	-	-	524,049	524,049
Substance Abuse	-	112,282	-	112,282
Other Grants and Contracts	110,169	-	98,317	208,486
Title XIX Medicaid	6,023,719	51,560	2,484,743	8,560,022
Municipalities	124,181	1,500	-	125,681
Contributions	-	-	21,165	21,165
Third Party Reimbursements	(8,789)	33,770	16,497	41,478
Program Fees	142,574	16,064	232,151	390,789
Client Rents	152,455	-	-	152,455
Total Revenues	\$ 6,906,454	215,176	3,376,922	10,498,552
<u>Expenses</u>				
Personnel	4,381,520	180,571	1,807,011	6,369,102
Operating	2,357,598	190,727	1,193,091	3,741,416
Purchased Equipment	43,490	-	120,945	164,435
Total Expenses	\$ 6,782,608	371,298	3,121,047	10,274,953
Excess (Deficiency) of Revenues Over Expenses	\$ 123,846	(156,122)	255,875	223,599

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON AND  
NORTHWESTERN RHODE ISLAND, INC.  
STATEMENT OF OPERATIONS - TITLE XIX PROGRAM  
FISCAL YEAR ENDED JUNE 30, 2000

<u>Beginning Balance</u>	\$ 0
Revenues Received Designated for Programs	<u>8,560,022</u>
<u>Revenues Applied:</u>	
Community Support and Related Services	6,023,719
Adult General Outpatient Services	51,560
Other Programs	<u>2,484,743</u>
Total Applied	<u>8,560,022</u>
<u>Ending Balance</u>	\$ <u><u>0</u></u>

See accompanying notes to financial information.

SP-27b

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
 MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON AND  
 NORTHWESTERN RHODE ISLAND, INC.  
 STATE MATCHING PROGRAM  
 DETERMINATION OF OVER (UNDER) PAYMENT OF STATE MATCHING FUNDS  
 FISCAL YEAR ENDED JUNE 30, 2000

State Funds Allocated:

Adult General Outpatient Services	\$	95,923	
Community Support, Residential and Acute Alternatives		<u>95,923</u>	<u>191,846</u>
Matchable Revenues - Fiscal Year Ended June 30, 1998			<u>135,512</u>

Determination of Over (Under)  
Payment of State Funds:

State Funds Allocated (Note 2)		191,846
Deduct lesser of:		
(a) Applicable Percentage of Matchable Revenues	167,485	
(b) State Funds Allocated	183,598	
Maximum Support - Lesser of A or B (Note 3)		<u>167,485</u>
Over (Under) Payment of State Matching Funds		<u>24,361</u>

See accompanying notes to financial information.

:SP-27c

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON  
AND NORTHWESTERN RHODE ISLAND, INC.

REPORT ON CONTRACT COMPLIANCE  
FISCAL YEAR ENDED JUNE 30, 2000

NOTES TO FINANCIAL INFORMATION

Note 1 - Significant Accounting Policies

Basis of Accounting

The financial information is presented on the accrual basis of accounting which is in compliance with the Division of Behavioral Health Service's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Note 2 - State Funds Allocated - Exhibit C

These amounts represent the total of the matching grants encumbered by the Department of MHRH for the operation of Mental Health Services of Cranston, Johnston and Northwestern Rhode Island, Inc.

Note 3 - Maximum Support - Exhibit C

State funds allocated are subject to the lesser of the following:

- A. 123.594% of the matchable revenue for fiscal year ended June 30, 1998.
- B. The maximum state funding as determined above cannot exceed the dollar amount originally allocated for the respective fiscal year.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
 MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON AND  
 NORTHWESTERN RHODE ISLAND INC.  
 STATE MATCHING PROGRAM  
 SCHEDULE OF MATCHABLE AND NONMATCHABLE REVENUES  
 FISCAL YEAR ENDED JUNE 30, 2000

State of Rhode Island

Adult General Outpatient Program	\$ 148,803
Community Support, Residential & Acute Alternatives	<u>213,342</u>

Total State Funds Allocated	362,145
-----------------------------	---------

Matchable Revenues

Municipalities	125,681
Contributions	<u>21,165</u>

Total Matchable Revenues (For Fiscal Year Ended June 30, 2002)	146,846
---	---------

Nonmatchable Revenues

Title XIX Program	8,560,022
Program Fees	390,789
Other Programs	844,817
Third Party Reimbursements	41,478
Rental Income	<u>152,455</u>

Total NonMatchable Revenues	<u>9,989,561</u>
-----------------------------	------------------

Total Revenues (Exhibit A)	\$ <u><u>10,498,552</u></u>
----------------------------	-----------------------------

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
MENTAL HEALTH SERVICES OF CRANSTON, JOHNSTON  
AND NORTHWESTERN RHODE ISLAND, INC.  
REPORT ON CONTRACT COMPLIANCE  
FISCAL YEAR ENDED JUNE 30, 2000

FINDINGS AND RECOMMENDATIONS

Net Operations

Net operating results for the Center's programs for the fiscal year ended June 30, 2000 are summarized below:

Revenue Excess (Deficiency) - Exhibit A

<u>Program</u>	<u>2000</u>
Community Support, Residential, and Acute Alternatives	\$ 123,846
General Outpatient Services	(156,122)
Other Programs	<u>255,875</u>
Total Revenue (Deficiency)	<u>\$ 223,599</u>

Community Support, Residential, and Acute Alternatives

The Community Support, Residential, and Acute Alternatives Program has revenues exceeding expenditures in the amount of \$123,846 for the fiscal year ended June 30, 2000. The Department of Mental Health, Retardation and Hospitals determines the use or disposition of excess revenues.

MHRH officials are presently allowing providers, at their discretion, to report MHRH Adult General Outpatient funding with the Community Support, Residential, and Acute Alternatives Program.

State Matching Program

It was determined that MHRH overpaid the Center \$24,361 (See Exhibit C). Subsequently, during fiscal year 2001 MHRH recovered \$19,711 and forgave the balance of \$4,650.

Matchable Revenues were examined for fiscal year ended June 30, 2000 and is summarized as follows:

Municipal Revenues	\$ 125,681
Net - Contributions	<u>21,165</u>
Total Matchable Revenues	\$ <u>146,846</u>

Funds received in the fiscal year ended June 30, 2000 will be the basis for determining state funds allocated by the Department of MHRH for the subsequent fiscal year ending June 30, 2002.

MHRH officials allowed Community Counseling Center, Inc., to transfer \$616,022 of its fiscal year 2000 matchable municipal revenues to its affiliate Mental Health Services of Cranston, Johnston and Northwestern Rhode Island, Inc., to be added to its municipal matching revenues for fiscal year 2000 to be matched by MHRH in fiscal year 2002. These funds were verified and will be solely used for matching purposes by MHRH and will not be a part of the financial information in this report nor will it appear in the Center's independent audit report, according to the Center's Finance Director. This will bring the Center's total Matchable funds for fiscal year 2000 to \$762,868 and will consist of the following:

Center's own match – per schedule of	
Matchable and Nonmatchable Revenues	\$ 146,846
Transfer From Community Counseling	
Center, Inc.	<u>616,022</u>
Total Matchable Revenues	\$ <u>762,868</u>

#### Revenue Deficiencies

It is our understanding that each contract stands on its own and that any expenses in excess of the contracted amounts be absorbed by the provider.

During the period audited the following MHRH-Division of Behavioral Health Services contract had a deficiency (See Exhibit A):

Adult General Outpatient	\$ (156,122)
--------------------------	--------------

#### Other Programs

This category represents funding from sources other than MHRH-Division of Behavioral Health Services.